

Kazakhstan: the regional success story

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Theses

Kazakhstan can boast economic development like no other country in Central Asia. In contrast to other countries of the region, which have rich natural resources, Kazakhstan has managed to use its economic potential in a way that yields concrete benefits now and, at the same time, creates prospects for further sustainable economic growth.

Kazakhstan owes its position of the regional leader of change to its consistent reform policy during the recent decade, the implementation of which has been definitely facilitated by the stable internal and international situation of the country and its political system, called “velvet authoritarianism”. Nevertheless, Kazakhstan’s success would not have been possible, if not for its economic potential and the favourable conditions on the world markets.

The political situation of the country, which is criticised by the international community, is quite good in the regional context; owing to his strong position, president Nazarbayev fully controls the situation, his actions are predictable, which strengthens the sense of stability and security among the citizens. Therefore, the limitation of democratic liberties has hardly any meaning for a vast majority of Kazakhstan’s residents.

Introduction

Just several years ago, the position of Kazakhstan as the regional leader was not so obvious. Since the emergence of the independent republics in Central Asia, there has been rivalry for leadership between Kazakhstan and Uzbekistan, which to a great extent has been an effect of the personal leadership ambitions of the countries’ respective presidents, Nursultan Nazarbayev and Islam Karimov. While Uzbekistan prefers the model of leadership based on political and military hegemony, Kazakhstan chooses economic development. Nevertheless, Kazakhstan has managed to outdo Uzbekistan in the military field, too¹. Currently, it has the largest and best equipped army in the region in terms of both absolute categories and its operational potential.

The increasing income from exports of energy raw materials, the growing GDP and the highest among CIS countries level of foreign investments, combined with the adopted economic development strategy have helped Kazakhstan to achieve the position of the indisputable leader of economic change in the entire region during the recent five years. At the same time, it should be emphasised that the political situation of the country, though far from the ideal, makes it stand out among the other Central Asian states.

Political reform cannot keep pace with the impressive tempo of economic change. Unless the dissonance between the economic and political situations in Kazakhstan is levelled, in the longer term, it may hinder further economic development of the country.

I. The economic success of Kazakhstan

The example of Kazakhstan shows that making the effort of economic reform may start yielding measurable benefits. The achievements of the recent several years (the breakthrough date was the year 2000, which confirmed that the Kazakh economy was strong enough not to be affected by the Russian crisis) prove it beyond doubt: it is Kazakhstan which has shown the model and direction of economic change to be followed by Kyrgyzstan and Tajikistan. The latter two countries model their own bills concerning economic issues on Kazakh legislation.

1. Economic rates: the confirmation of economic achievements

Kazakhstan's energy raw material resources and its development strategy make that the country has the highest level of foreign investments of all CIS members, its gross national product is constantly increasing and life standards are improving.

Kazakhstan managed to repay its loans to the International Monetary Fund in 2000, seven years before the due repayment date. As a result, the Fund closed its office in Astana considering that further aid would not be necessary. In early 2002, the US Trade Department deemed Kazakhstan a market economy, and the US administration is

considering the option of withdrawal from economic aid, believing that it is no longer needed. In 2001, the inflation in Kazakhstan dropped to 6.4%, and it has remained at this level until now². GDP has been constantly growing for five years (last year, instead of the predicted 7.3%, it grew by 9.2%)³, GDP *per capita* was at US\$ 1,649 in 2002 (it was five times larger than the GDP of Kyrgyzstan or Uzbekistan)⁴. Foreign direct investments are the greatest of all the other CIS countries (estimates for the year 2002 indicate the sum of US\$ 564 *per capita*⁵), and, according to forecasts for the nearest years, their level should increase by 6–7%, which guarantees further fast growth of the GDP and of the state's earnings.

2. The good investing climate

As compared to other countries in Central Asia, the investing climate in Kazakhstan is exceptionally good, which is confirmed by the level of foreign investments in the country.

The red tape (the need to obtain countless permits and licences) and the omnipresent corruption definitely make investing activity more difficult, still, as the game is for high stakes, this does not scare investors off.

Back in the 90's, the Kazakh authorities were aware of the fact that increasing the production and exports of energy raw materials would not be possible without attracting huge foreign investments to the country. Therefore, they were trying to create the best possible conditions for investing. The great contracts were not always profitable for Kazakhstan from the commercial point of view. However, owing to that, they managed to attract foreign capital. As investments were flowing in and the mining sector was developing, efforts to strengthen the position of Kazakh shareholders were made. During the recent two years, such efforts have clearly intensified. *Inter alia*, the tax code and the law on natural resource stock and users have been amended. Regulations are often ambiguous, which makes life for investors more difficult. Quite recently, there has been prepared a bill according to which in public bidding preference will be given to domestic companies, even if the prices offered by them are higher than those offered by foreign companies (up to 20%). A new obligation to hire Kazakh subcontractors and specialists has also been imposed on in-

vestors, and KazMunaiGaz (Kazakh state-owned oil and gas enterprise) must hold 50% or even, according to other sources, 51% of the shares in every new investment project. There also appear reports on attempts to renegotiate some of the contracts signed by foreign entities⁶. The intensification of such actions is seen by foreign investors as worsening of the investing climate.

In spite of such changes, the investing climate in Kazakhstan remains unmatched in the region. Although the investment level lowered in 2002 (by almost 11%), still everything seems to suggest that that has just been a sign of temporary discouragement, and forecasts for the nearest years are optimistic.

3. Kazakhstan, the target of regional migrations

During the recent years, Kazakhstan's migration balance has clearly improved⁷. This can be seen as one of the signs of the situation in the country improving.

A phenomenon on the regional scale is the re-emigration to Kazakhstan of Russians who several years earlier decided to return to Russia and of Kazakhs who have so far lived outside of Kazakhstan. In 2000–2002, according to official statistics, immigration from Uzbekistan doubled (from 12.8 thousand to 24.6 thousand)⁸. As economic immigrants stay here illegally, presumably, in fact the numbers are many times bigger. Kazakhstan's economic success makes that this country is perceived as an attractive target of economic migration, both seasonal and, to an increasingly greater degree, ultimate. This mainly concerns the poorer southern neighbours of Kazakhstan: the Kyrgyz and Uzbeks (Tajik economic emigrants still mainly go to Russia). According to press reports, every autumn, 200 thousand illegal immigrants are looking for seasonal occupation in the Kazakh southern oblast⁹. Kazakhstan is an attractive job market for its neighbours and nothing seems to indicate that the situation could change in the nearest future.

II. The key causes of the economic success

1. The country's economic potential

The economic success of Kazakhstan would not have been possible, if not for its economic potential. At the same time, the example of the neighbouring countries, Turkmenistan and Uzbekistan having rich deposits of gas, shows that just having an economic potential is not sufficient for economic development.

The greatest wealth of Kazakhstan are its energy raw material resources, the largest confirmed and predicted oil deposits in the region. A vast majority of Kazakh oil deposits can be found in the Caspian Sea shelf. They are compared to the United States' or the North Sea deposits, and some specialists are convinced that the Kazakh resources are much greater. In 2003, Kazakhstan produced 51 million tons of oil and was the second largest (after Russia) producer among the countries that emerged after the collapse of the USSR. Kazakhstan is and will be the key exporter of this raw material in the Caspian region. During the recent 10 years, oil production in Kazakhstan has grown more than twice, which has allowed for increasing exports and, even though the volume of Kazakh exports has not had a great impact on the global oil market, still the situation may fundamentally change in the nearest decade. The forecasts that there will be a boost in oil production and export in the nearest years are based on the levels of foreign investments in the production sector and transport infrastructure, on the degree of advancement of certain projects and, above all, on the high prices of oil on global markets.

Kazakhstan has also rich deposits of iron and other metals ore, the production and export of which is the second largest, after income from oil, source of its budget earnings. The country is also one of the key regional crop producers. Still, the other sectors of the economy do not really have a great meaning; the tempo of the country's economic development is dependent on the oil sector. As it is going to further grow in the nearest years, the economic development forecasts for this country are optimistic. However, the increa-

sing dependence of the entire economy on oil production (and, to a smaller degree, on the metallurgy) is going to be the greatest challenge for the authorities in their shaping of the economic policy and the greatest risk factor in the long-term development forecasts.

2. The economic policy set by the authorities

2.1. The reforms

Kazakhstan, beyond any doubt, adheres to a good human resources policy in the field of economy. The consistent reform policy, launched in mid 90's, is implemented under the supervision of specialists, who often either have Western education or are foreign consultants.

The authorities implemented the banking system reform, owing to which Kazakh banks have become the most reliable in the region¹⁰. Currently, 34 banks are operating in Kazakhstan. More than a half of them are Kazakh banks. Bank services are increasingly more popular. The National Bank of Kazakhstan, using the expertise of the Norwegian Central Bank, in 2001 created the National Fund, as a part of which stabilisation means are gathered and savings are made. Oil income surpluses are transferred to the Fund when the oil price is higher than US\$ 19 per barrel. If oil prices drop below that level, then the savings deposited in the Fund can be used to support the state budget. Currently, the Fund has approximately US\$ 3.7 billion¹¹. The means gathered as a part of the Fund are invested on foreign markets.

Using the support of the International Monetary Fund, Kazakhstan has reformed its tax system. Small and medium enterprises have been privatised, and the process of privatisation of large oil and gas companies, which foreign investors have been given access to, has started. As a result, the level of foreign direct investments, even though lower than in 2001, has in recent two years been above US\$ 4 billion, of which US\$ 3 billion have been invested in the oil sector¹².

In June 2003, the land code came into effect. It provides for privatisation of land, which is supposed to stimulate growth of agricultural production.

Reform of the pension system has been implemented in cooperation with the World Bank:

a transition from the solidarity-based system to cumulative system is taking place, although it is a difficult and lengthy process. Currently, 16 pension funds that are not owned by the state are operating in Kazakhstan. Theoretically, employers are obliged to transfer 10% of employee wages to such funds. As there are no proper mechanisms of control, this duty is often neglected. This March, the Economic Policy Council decided to privatise the National Pension Fund by the end of this year.

At the same time, the authorities are aware of the dangerous dependence of the entire economy on the oil sector and they take steps to protect the country against any consequences of this disproportion. The adopted development strategy Kazakhstan 2030 and the development plan until 2015 assume development of other branches of the economy, mainly of raw material processing. For the time being, such programmes are only of declarative nature; there are no concrete proposals for change or proofs of implementation or effectiveness forecasts.

2.2. Authoritarianism friendly to liberalisation of the economy

In contrast to Uzbekistan or Turkmenistan, where the authoritarian authorities are aiming at strengthening of the state monopoly in the key sectors of the economy, Kazakhstan has chosen a completely different, liberal economic model, which, paradoxically, the authoritarian system has facilitated.

It was the president's conscious decision to grant priority to economic transformation, moving political reform away to some indefinite future. Owing to the fact that they control the entire political system, the authorities have not met with any significant resistance in their implementation of unpopular reforms. The parliament does not have any real power in Kazakhstan, so passing government-dictated bills in both of its chambers is not a difficult task. The laws approved by the parliament are then signed by their original author. This way the president not only receives formal support for his decisions but also, owing to applicable procedures, he has the chance of withdrawing from especially controversial initiatives. He can do that by either vetoing a given bill or forwarding it for consideration to the Con-

stitutional Court. Although the Court is not an independent authority in Kazakhstan and most of the society believe that the decisions taken by it are consulted with the president, still Nursultan Nazarbayev, by custom, refers to its decisions, which is then used to build his image of a democrat, mostly to please the international opinion. A good example of such actions was the way the controversial land code was brought into effect last year. The MPs proposed so many amendments to the government's bill that the then government chief, Imangali Tasmagambetov, wanting to push through his own version of the code, had to order vote of confidence to his own cabinet. The support that he received as a result of the voting meant that the government's bill was automatically approved and to come into effect it only needed to be signed by the president. The public discontent caused by the prospect of final approval of the bill that the prime minister and the president had been pushing, the provisions of which would have mainly affected people living the countryside, i.e. at least 40% of the population, was the most probable cause of the dismissal of the prime minister and forwarding of the land code by the president to be considered by the Constitutional Court. This move made it possible for Nursultan Nazarbayev to grant his consent to some of the amendments proposed by the parliament without losing face.

The authoritarian authorities in Kazakhstan have not only initiated economic changes, but they also have become a guarantee for the country's stability. The fact that no serious tensions or riots have taken place in Kazakhstan since the country gained independence is a unique phenomenon in the region (a peculiar situation in this regard exists in Turkmenistan). The sense of stability and security contributes to economic development. Foreign investors opt for political stability, which gives more guarantees for implementation of the concluded contracts; this being another reason for delaying the process of political change. This way the authoritarian regime is, paradoxically, conducive to liberalisation of the economy.

III. Threats to economic development of Kazakhstan

The main potential threats to economic development of Kazakhstan are embedded in the economic system itself (the total dependence of the Kazakh economy on the oil sector or the dissonance between the economic and political development of the country), yet, for the time being, they are not able to hamper it.

1. Dependence of the economy on the oil industry

Almost total dependence of the Kazakh economy on the oil sector is the main threat to further development of Kazakhstan. So far, regardless of efforts, the authorities have not managed to give a boost to other branches of the economy, apart from the one connected with the oil industry.

Pursuant to the objectives of the government-proposed development programme, the volume of oil production will double in the nearest six years. This will, in all probability, mean further growth of the dominating role of the oil industry, a tendency observed for at least six years in Kazakhstan: the share of the oil sector in GDP grew from 7% in 1998 to 17% in 2002; 71% of all the investments go to the oil and gas sector, and export of oil and gas constitutes more than 50% of the entire export¹³. As a result, even though Kazakhstan's economy is now less exposed to the risk of being affected by rapidly worsening conditions on the global markets than it was several years ago, still a drop in the prices of oil (below US\$ 15 per barrel) and gas or unexpected export impediments may shake the standing of the country. The growing incomes of the oil sector, regardless of efforts, do not translate into development of other branches of the Kazakh economy.

Kazakh oil deposits are still far away from international markets and the production and transport infrastructure, almost all of which is inheritance from the Soviet times, is insufficient and outdated. Currently, Kazakhstan can use the network of Russian pipelines, which causes that Russia holds the monopoly over the transit infrastructure and transport of oil from Kazakhstan.

Nursultan Nazarbayev, president of Kazakhstan, has many a time supported diversification of oil transit routes, however, according to estimates, other transport routes will provide Kazakhstan an alternative to the transit through Russia as late as in 6 to 10 years.

2. The dissonance between the economic and political development

The political situation in Kazakhstan, which once used to be considered the leader of democratic change in Central Asia, has substantially worsened, while the economy of the country has rapidly developed.

While the liberalisation of the Kazakh economy has been making progress, the political system of this country has remained stagnant. Now, this is a moment when the growing dissonance between the economic and political development seems not to endure long. The authoritarian regime has facilitated implementation of unpopular reforms, thus enabling the country to develop economically. Now, further development seems impossible without carrying out political reforms. The rapid economic growth has made possible the “satiation of the elites” and, consequently, formation of a new social group: people who are relatively young, well-educated and rich, who, owing to foreign contacts and their own observations while travelling, are able to objectively evaluate the situation in the country. They can make long-term plans and are aware of the fact that, even for those who are not going to become involved in political activity, limitations of political liberties are definitely burdensome. The non-transparent structures of the authorities, the existence of informal groups of influence, the common red tape and corruption, the limited access to information; all this causes that the feeling of the need for change is becoming increasingly more common. The president is also aware of the fact that political reforms are inevitable, which, however, does not mean that he is ready to start them.

3. Corruption

Corruption in Kazakhstan is embedded in the system, which is a very burdensome element of everyday life.

This does not only concern civil servants but also representatives of the tax police, customs services and the judiciary system. Therefore most of residents of Kazakhstan try to avoid any contacts with representatives of the civil services and to resolve conflicts, as far as possible, out of court. Corruption has during the recent years become a serious threat to the education system: it is commonly known that one can buy a diploma of graduation of any higher education institution at a bazaar. Great possibilities for abuse stem from the very economic model of Kazakhstan, with the dominating role of the oil sector, access to which is limited by masses of red tape regulations. Representatives of the authorities who control the usage of oil resources may succumb to temptation of growing rich in an easy way by abusing their powers in making decisions concerning particular investors¹⁴. The existence of a vast grey area, beyond any doubt, also stimulates corruption. According to the estimates of some international experts, this phenomenon reaches the level of 22–34% GDP¹⁵.

In 1998, Kazakhstan passed an anti-corruption law and in 2002 it joined the Anti-Corruption Plan supported by the Asian Development Bank (ADB) and the Organisation for Economic Cooperation and Development (OECD). However, such moves were purely declarative, and the disclosure in 1999 of the corruption scandal, the main protagonists of which were the most senior state officials, only strengthened the common belief that everyone took bribes. The so-called *Kazakhgate* (the most widely publicised corruption scandal in Kazakhstan) has not been cleared out for five years now: in 1999, western mass media disclosed that president Nazarbayev had secret accounts in Swiss banks, which was discovered during the investigation into the matter of James Giffen, who was suspected of handing over bribes to Kazakh officials from western oil companies. Giffen was an advisor to president Nazarbayev and he also acted as an agent in the purchase of a half of the shares in Tengiz deposit by Chevron. Kazakh authorities were denying the existence

of the bank accounts for free subsequent years. Finally, in 2002, their existence was unexpectedly confirmed by the then prime minister Imangali Tasmagabetov, who at the same time assured that they were used for state, and not private, purposes. The sentence in Giffen's case is due to be passed in the nearest months, and then it will appear whether the allegations brought against president Nazarbayev have been well-grounded.

IV. The political situation in the country

1. Cooperation with Russia and the West

Kazakhstan's standing in the international arena is relatively strong and stable; its political situation makes it stand out above the other Central Asian countries. The state has since the beginning been pursuing a very careful policy of balancing the influence of Russia, the USA and China, at the same time rivalling with Uzbekistan for leadership in the region. Traditionally, the Russian line in the foreign policy is a matter of priority for the Kazakh diplomacy.

Kazakhstan is the only state in Central Asia to border the Russian Federation. It also has the most numerous Russian minority among the CIS. Vast majority of Kazakh oil is transported through the territory of the Russian Federation. Moreover, the two countries have preserved very strong economic ties, dating back to the USSR times. The relations between Astana and Moscow can be defined as correct.

Along with participation of both countries in regional economic initiatives, political and military ties are also important. Kazakhstan is an active member of regional organisations of military cooperation and a loyal to Russia participant in the Collective Security Treaty Organisation. This is to a great extent a result of pure calculation: military cooperation with Russia gives guarantee of cheap repairs of the equipment, training and weapons supplies at prices applicable inside Russia. Kazakhstan is the only country in the region to have measurable benefits from the Russian military presence in its territory. Moscow pays US\$

115 million annually for the lease of the largest Russian military base located outside the RF, the Baikonur Cosmodrome.

Regardless of its close cooperation with Russia, Kazakhstan is still able to tighten its military cooperation with the West, above all with the USA, even when this is contrary to Russian interests. The reform of the Kazakh army was to some extent modelled on US solutions: US experience was used during the creation of the Kazakh military doctrine and during the creation of the programme of structural changes in the army. The Kazakh peacekeeping battalion, KAZAKBAT, was formed on the basis of NATO standards, with US assistance. Regardless of Moscow's protests, Astana decided to create the fleet on the Caspian Sea with the aid of Americans.

Cooperation with the USA, on both political and military level, tightened after 11th September 2001. Kazakhstan was the only Central Asian state to send its soldiers to Iraq. Even though their presence there is of minor importance in military terms (a little more than twenty people have been sent), still it has a symbolic meaning: the more pro-US Uzbekistan has not sent its soldiers to Iraq.

Still, no significant changes have taken place in economic issues, which are among the priorities of the Kazakh foreign policy. Washington is greatly interested in Kazakhstan's joining the project for transit through the South Caucasus, which it has been lobbying for (Baku–Tbilisi–Ceyhan pipeline). This would help lessen the dependence on the Persian Gulf oil and, at the same time, this would provide Kazakh oil a wider access to global markets and break up the Russian monopoly on transit of Kazakh oil. Meanwhile, Kazakhstan, taking into account the position of Russia in the region and searching for the most profitable solutions, is stalling for time. It declares its support to the BTC project, yet it does not engage in the implementation thereof. Recently, it has also been tightening its cooperation with its second powerful neighbour, China. The construction of the pipeline going to China is due to be completed by 2010, and its capacity will subsequently be increased.

Simultaneously, the incessant pressure exerted by the West (by both European countries and the USA) on Kazakhstan to stop breaking the rules of democracy provoke a reaction that is contrary to

the expected one: this contributes to the establishing of closer relations between Astana and Moscow, which does not make any reservations as to the way of ruling by Nursultan Nazarbayev. One of the recent glaring examples of the operation of this mechanism was the signing, together with seven other CIS countries, of the Moscow-initiated statement criticising the Organisation for Security and Cooperation in Europe for its care for respecting human rights and democratic standards in the region at the expense of the economic and security issues. The signatories to the document claimed that the activity of the organisation was politicised and did not take into consideration the special conditions in the countries, and that the organisation unfairly criticised their authorities.

2. The regional cooperation

The regional cooperation in Central Asia is limited to the formal sphere: making declarations and signing agreements. In fact, there is lacking will for action and mutual trust among the nearest neighbours, which is necessary for development of any cooperation. Only bilateral policy gives certain effects.

Kazakhstan has since the mid 90's taken initiatives aiming at regional cooperation in a narrower than CIS, thus more effective, company. However, Astana's efforts in this regard have not given the expected results. The inefficacy of the pro-integration actions seems quite easy to explain: it is impossible to cause economic integration of countries that have fundamentally different economic systems. Political elites of particular countries, caring for their interests more than for the interests of their states, are the less so capable of thinking in terms of regional interests. An example that perfectly illustrates the problem is the question of water in Central Asia. Subsequent crises, which pose the threat of flooding parts of Uzbekistan and Kazakhstan in the winter and of deficiency of water necessary to irrigate the fields in both of the countries during the summer, not only prove inefficiency of the current solutions on the issue of water resources' management but also show the lack of will for a real cooperation (even in emergency cases) and total mutual distrust among the closest neighbours.

A tremendous role in Central Asia is played by personal relations between presidents, which in most cases are not really good and which directly translate into relations between the countries. In the states, which gained independence a little than a decade ago, integration is perceived as a process limiting sovereignty, which may be another reason why declarations of will to integrate are just declarations.

Bilateral agreements are definitely more effective than multilateral cooperation. Owing to such solutions, Kazakh authorities have managed so far to prevent potential border-related conflicts from escalating. Even though the process of border demarcation has not been finished, and tensions concerning this issue regularly reoccur, still they have never turned into a serious conflict. Incidents are most numerous on the border between Kazakhstan and Uzbekistan. Uzbek border guards regularly shoot at citizens of Kazakhstan in cases of border line violation or failure to meet formal regulations, which often results in casualties. There is serious concern that, against the hopes placed on the completion of the process of delimitation, it can only decrease the tension in the frontier region and not really eliminate such incidents. Border cooperation with the other neighbours is much better.

3. The position of the president

President Nazarbayev, who is the main actor on the political scene of Kazakhstan, has total control of the situation in the country. Maintaining the *status quo* seems realistic not only for the nearest two years (i.e. until the presidential elections) but also in the longer term.

Personification of power is a common phenomenon in Kazakhstan: any successes are perceived as personal merits of the president. Nursultan Nazarbayev is believed to be the author of the Kazakh way of reform. The line taken by him gives effects, which causes that, despite his troubles connected among other things with the corruption scandal, the president enjoys great public trust. In addition, the awareness of the way the situation has developed in the neighbouring countries helps citizens of Kazakhstan acknowledge the relative stability and security in their

country. The corruption scandal has hardly affected the standing of president Nazarbayev in the country. It is a common belief that corruption in Kazakhstan is embedded in the system and that everyone takes bribes. In the public opinion, Giffen's case is not exceptional, as the public is convinced that corruption is common. Nevertheless, *Kazakhgate* may affect the president's position in an indirect way: the president's troubles, including his inability to travel abroad, may seriously weaken his standing at home and, as a result, force him to resign. Meanwhile, the president, who is, in all probability, considering the scenarios of handing over power to a proper candidate¹⁶, has declared that he is going to take part in the presidential election scheduled for 2006 and he is actively participating in the preparations of his supporters for this year's parliamentary elections.

The result of the elections (both the nearest parliamentary and the subsequent presidential elections) seems to be a foregone conclusion. The pro-presidential parties Otan and Asar (the party of the president's daughter, Darigha Nazarbayeva) are bound to be the front-runners; and Nursultan Nazarbayev has no serious rival in the race to presidency. If the power were to be handed over (which is not likely in the nearest time), then the successor of president Nazarbayev would have to be supported by him and continue his policy. The democrats' dreams of a revolution in Kazakhstan seem unrealistic.

4. The Kazakh political scene

The political life of Kazakhstan is successfully governed by the president and his closest milieu. The multi-party system is just a facade: it puts on a show of existence of a platform for political discussion in the country, while in fact the party system is controlled by the authorities.

President Nazarbayev does not have to be anxious about the consequences of the existence of the multi-party system. Following the sharpening of the policy in 2002, the opposition has been admitted to registration this year, which however does not mean that it has any chance of becoming a real player on the political scene.

At the beginning of the last year, as a result of bringing into force of the new restrictive law on

political parties, which provided for the need of re-registration of all the parties, more than a half of them disappeared from the political scene of Kazakhstan (of the 19 existing in 2002, only 7 were granted re-registration in early 2003, and thereafter two other joined in). During the recent two months, the number of registered parties has grown from 9 to 12.

On 4th May, the opposition Democratic Choice of Kazakhstan was registered, and the Democratic Party of Kazakhstan and the Communist People's Party of Kazakhstan were respectively registered on 17th June and 21st June. Astana can afford this kind of pluralism without any serious anxiety, knowing that the unquestionable front-runners of the autumn election are going to be Asar, the party of the president's daughter, Darigha Nazarbayeva, and Otan, president Nazarbayev's party, and the quite good ratings of Ak Zhol party, which is perceived as soft opposition, may only improve the image of Kazakhstan in the eyes of the West. Victory of the pro-presidential parties will, however, mean not only support to the ruling team but also confirmation of success of the methods used by it to control the political life in the country (including the election campaign owing to the fact that the president's daughter controls 80% of the mass media and of the electoral process itself owing to the introduction of the electronic system of voting).

Interesting is the phenomenon of Asar party, which has managed to win double figures support in just several months of its existence¹⁷. The programme of Asar does not really differ from the presidential programme Kazakhstan 2030 or programmes of other parties; the party is for strengthening the role of the president, development of civil institutions, fight against corruption and the need to develop other, in addition to the oil sector, branches of the economy. However, the key asset of the party is not its programme but its chairperson; Darigha Nazarbayeva, who, successfully using her position of the president's daughter, has mobilised local authorities to satisfy the needs of Asar party. Following the party founding congress, its local offices have been opened in all the regions in just several-days' time.

Speculations about the political ambitions of Darigha Nazarbayeva have been the most discussed topic for more than a half year in Kazakhstan. Commentators are unanimous in their opinion

that the party, the leader of which is the chief of the most influential media group, who is at the same time the president's daughter, need not be too anxious about the election result. In turn, victory in the elections may facilitate further political career for Darigha Nazarbayeva. There appear speculations that Nazarbayeva may be entrusted with the function of the Speaker of the Senate, which would mean that she would become the second most important person in the state and, in the case of the president's illness or other emergency, she could replace him. Nazarbayeva claims she is not going to stand for the nearest presidential election, adding that the best and most certain candidate is the current president.

The opposition in Kazakhstan is weak and internally divided. The return to the political scene of the Democratic Choice of Kazakhstan does not mean that its influence has recently grown. At the same time, it is difficult to judge on the political sentiments of the entire society. Political life of the country is limited to the elites concentrated in Almaty and Astana and in several other larger cities. A vast majority of citizens¹⁸ have an ambivalent attitude to politics. Even those who are the worst off¹⁹ do not voice loud slogans for radical change.

5. The civil liberties

The freedom of speech or of meeting guaranteed under the law is successfully limited with the usage of the same law in Kazakhstan. Therefore, it is hard to accuse Kazakh authorities of violating legal regulations.

Under the Kazakh law, information on the president and his family, including on their property and the way their money is invested or on their health, is considered state secret, the disclosure of which is punished by various sanctions. The civil code includes regulations under which publishing slanderous, i.e. untrue (or impossible to prove), information about the president, MPs or senior state officials can be punished by ban on publication or even closing of the editor's office. Investigative journalism has become a very risky occupation in Kazakhstan. Nevertheless, courts do not abuse the powers they have under the regulations: from among 21 journalists sentenced in

2003, only one was sentenced for slander. Most of the actions concern cases that are formally not connected with the journalist activity of the defendants and the charges are often fabricated for the needs of an investigation, as e.g. it was in the widely publicised case of the investigative journalist Sergey Duvanov, who following the publication of materials on the scandal of corruption among the Kazakh ruling elites was sentenced to 3.5 years of imprisonment for allegedly raping a minor²⁰.

While the constitution of Kazakhstan provides for the freedom of meeting, the detailed regulations openly limit this freedom. Taking part in meetings that are not approved by the authorities is considered an administrative offence and is subject to punishment. Individuals convicted for such an offence have no right to take official posts or be candidates in elections.

Due to such legal solutions Kazakh authorities can successfully impede the activity of their political opponents and, at the same time, by bringing charges under the administrative or criminal code, they can avoid allegations of launching political trials.

V. Summary

As market analysts have forecasted, there is going to be fast economic development in the nearest years in Kazakhstan. At the same time, the Kazakh authorities are facing the need to lessen the dependence of the economy on the oil sector by developing other branches of industry.

The awareness of the need to move away from the previous economic model is common among the ruling elites. However, the easy way of generating profits for the state owing to exploitation of deposits of natural resources does not contribute to stimulation of actions to diversify the economy.

There is nothing to suggest that any radical political changes will happen in Kazakhstan in the nearest time. It, however, cannot be excluded that following the presidential election, the current policy can be slightly amended. If there were to be a change at the highest post in the state (there certainly exist several scenarios for handover of power), then activation of the political life in the country could be expected.

The previous policy of balancing the influence of the USA, Russia and China can be carried on with success. The result of the rivalry between Kazakhstan and Uzbekistan for leadership in the region already seems to be a foregone conclusion, and the standing of Astana on the international arena is stable.

In Kazakhstan itself, achievements of the authorities are valued high: the public, aware of the development of the situation in the neighbouring countries, appreciates the relative stability and the feeling of security being a consequence of it. Even though the growth of average wages is just a result of the growing incomes of people employed in the oil, financial and services sectors, while the wages in the sectors which provide employment to most of the population, i.e. agriculture, health care and education sectors, remain very low, still people have the sense of prosperity and do not feel the need for any radical changes.

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¹ According to The Military Balance 2003–2004, Kazakhstan in 2002 spent 2% GDP, i.e. US\$ 1,986 million on defence; 65.8 thousand military personnel were on active duty. Although in the same year, Uzbekistan's defence spending was at 2.9% GDP, still, nominally, it was only US\$ 1,797 million, and only 50–55 thousand military personnel were on active duty.

² IMF (Country Report July 2003) and the National Bank of Kazakhstan.

³ Data according to: Central Asia – Caucasus Analyst, January 14, 2004.

⁴ www.eiu.com

⁵ *Ibid.*

⁶ The most publicised example of such actions was the case of Chevron Texaco. Unofficially, the reason why its investments were suspended at Tengiz (one of the two largest Kazakh deposits) in November 2002 was the pressure by the Kazakh side to renegotiate the conditions of the agreements concluded in 1993; following three-month negotiations, the investments were resumed; similar situations also happened to other companies.

⁷ In 2000 – 2002, the number of emigrants dropped from 155,749 down to 120,150, and the number of immigrants grew from 47,442 up to 58,162; data according to Statistical Yearbook of Kazakhstan 2003.

⁸ *Ibid.*

⁹ Immigrants work on construction sites, tobacco and cotton plantations receiving wages which Kazakhs would not agree to work for. Their living conditions are often dramatic. According to the Kazakh newspaper *Ekspres – K*, the southern oblast authorities last autumn were deporting more than 100 Uzbek illegal economic immigrants every week. The same newspaper estimates that half of the cotton produced in the south of Kazakhstan is harvested by illegal workers.

¹⁰ In the 0 to 4 EBRD scale, in 2003, Kazakhstan was given 3 points, while Kyrgyzstan received 2.3 points; Russia 2.0 points; Uzbekistan 1.7 points; and Tajikistan 1.0 point.

¹¹ EBRD Transition Report 2003.

¹² IMF Country Report No 03/211, July 2003 and EBRD Transition Report 2003.

¹³ Data according to: Statistical Yearbook of Kazakhstan 2003, and Meruert Makhmutova, "Extractive Industries Revenue and National Found: Kazakhstan's Experience", ASN conference materials, Warsaw July 2004.

¹⁴ According to Transparency International data for 2002, Kazakhstan stands at the 88th place on the list of 102 countries taken into account by the organisation; www.transparency.org

¹⁵ *Ekspres-K*, Almaty, 21.02.2004.

¹⁶ Preparations for a possible handover of power are nothing new in Kazakhstan: already in 2000, the president took due care for the parliament to adopt the law "On the first president of Kazakhstan", which provides that after his resignation, Nursultan Nazarbayev will receive not only life-long financial protection and guarantees of personal security but also numerous powers in ruling the country.

¹⁷ Results of the opinion poll carried out upon the order by IIMP analytical centre, founded by Darigha Nazarbayeva, show 70% support to her party; the results are, in all prob-

ability, overstated, still even opponents of Asar party admit that it has large support of the public.

¹⁸ Some analysts claim that the number may even exceed 90%, in: Central Asia – Caucasus Analyst, March 10, 2004.

¹⁹ 1/4 of Kazakhstan's population live below the poverty line, see www.adb.org

²⁰ As a result of international pressure (exerted by the Department of State, the European Union and OSCE) in January 2004, Duvanov, who had been consistently claiming he was innocent and that the charges brought against him had been fabricated, was released from prison after spending a year in jail and he is going to serve the rest of the sentence under house arrest.